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ABSTRACT

The management of school systems by for-profit private contractors is one alternative method of school reform. This document describes some private-management plans and examines some of the central issues. The arrangements between public school systems and three private contractors of education are described--Education Alternatives, Inc. (EAI), The Edison Project, and Public Strategies Group (PSG). Issues to be considered before implementing a privatization plan include cost, control, and accountability. Critical questions involve the effects on student achievement, issues of cost versus student needs, and consequences for schools if the companies fail. Businesses have begun to view education as a new growth industry, which presents options for the school board to consider. (LMI)

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Many Americans agree on the need to reform our public schools, but no consensus exists on the most effective solution. Indeed, there may not be one "best" solution. However, some residents of Baltimore, Minneapolis, Miami, Detroit, and Hartford might propose they have already found the answer: management of their school systems by a private contractor.

Though public school systems have hired private companies to carry out certain aspects of school operations, such as food service and custodial work, the trend of turning over the complete management of schools to a for-profit organization did not get its start until just a few years ago. Today, the most highly publicized players in this area include Education Alternatives, Inc. (EAI) and The Edison Project and, to a lesser extent, Public Strategies Group (PSG).

Dade County, Florida, Hartford, Connecticut and Baltimore, Maryland have contracted with EAI to run schools in their districts. EAI, headed by John Golle and based in Minneapolis, has become one of the largest players in the privatization arena. Since September, 1992 EAI has managed nine schools in Baltimore and has since taken on a more limited role in three more schools. In Dade County EAI signed a five-year contract, through which it will help select and train teachers, design the curriculum, and provide educational materials for South Pointe Elementary in Miami Beach, Florida. A contract with the Hartford Public Schools gives EAI the authority to manage Hartford's 32 public schools.

EAI has developed a curriculum, which it has termed Tesseract. The name was taken from the children's book, "A Wrinkle in Time," by Madeline L'Engle, in which the main characters travel through an imaginary corridor named Tesseract. Tesseract schools use computers extensively, place telephones in every classroom, and employ a ratio of fifteen students to every teacher. The Tesseract Schools also provide a classroom environment in which each student receives more individual attention. A prime example is EAI's South Pointe school, which is divided into four mini-schools with about 125-150 students making up each sub-school. Teachers remain with the same students from kindergarten through 6th grade. Instruction is tailored to meet the needs of every individual child. At the beginning of each school year parents and teachers meet together to create a "personal education plan", setting a learning goal for each student. To create a more productive learning environment, students are allowed to work with each other in small groups, at their own pace. Academic competition is down-played by allowing students to help each other and by eliminating traditional grade levels.

Founded by entrepreneur Chris Whittle, The Edison Project entered the education market in 1991. Mr. Whittle announced his plan to create a multibillion-dollar chain of 150-200 schools, geared for-profit, by 1996. In 1992 Whittle hired Dr. Benno C. Schmidt, former president of Yale University, to head the Edison Project. Schmidt, with Dr. Walter J. McCarroll, former deputy commissioner for educational programs for the State of Florida, and the rest of the Edison team have been working on an academic and administrative plan for the Edison schools since 1993. Because of the financial problems experienced by founder Chris Whittle, and his subsequent departure, The Edison Project has had difficulty in finalizing agreements with several school districts around the country and has faced much criticism. Edison will, however, begin operating the Dodge Elemen-

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tary School in Wichita, Kansas, and the Martin Luther King Jr. Public School Academy, in Mount Clemens, Michigan, in August, 1995.

The Edison Project education plan includes a curriculum that emphasizes math/science, humanities/fine arts, character/values, and practical skills/arts, along with an integration of technology, by installing computers in both the classroom and in every child's home. Students will participate in an interactive multimedia academic program and will go beyond the basics in their reading instruction by studying the classics. The Edison curriculum will have students working together on science projects and more time will be spent on math, beginning in the early grades. Students will have a school year of 210 days and a school day of seven to eight hours. With this longer school year and school day, the Project will be adding six years to a student's K-12 academic career. Students will work at their own pace and age will not determine a child's grade level.

A third management team is the Public Strategies Group (PSG), a management consulting firm. In 1993 PSG was hired by the Minneapolis Public Schools to manage the district's 79 public schools. The PSG management team includes Peter Hutchinson, president of PSG and acting district superintendent, employees from PSG, district officials and other consultants. PSG, unlike other companies in the education field, does not wish to further its ventures into other school districts. PSG's goal is to prepare the Minneapolis district administration to more effectively operate the schools after its contract expires. Another difference between PSG and other companies, such as EAI and the Edison Project, is that PSG's profit will not come from the savings realized through the private management structure. For its services the company receives fees that are linked to a prescribed list of goals. Only those goals reached by PSG are eligible for payment. Cited goals include developing baseline measures for assessing student achievement, plans to improve the curriculum and the quality of instruction, increasing attendance, making schools safe, increasing family involvement and a complete strategic reorientation of district management. A clause in the contract prevents PSG from getting paid in-full if, by the end of the agreement period, goals specified in the contract are not achieved. The Minneapolis Public Schools retain control of any savings that come as a result of PSG's management.

Privatization may not be just another passing fad

Responding to what is being described as an anti-tax atmosphere, some state and local governments are exploring the potential cost savings in privatizing operations traditionally provided by the public sector. And they are confronting many of the same questions challenging school districts who are eyeing privatization alternatives: Are there enough contractors to create competition? Can contract terms be clearly specified? Will the contractor be properly monitored to ensure that taxpayers are getting their money's worth? Are figures and statistics for current services accurate, or even available, that allow useful comparisons to be made when assessing contractor's proposals or performance data?

America is shifting its focus from manufacturing to service oriented industries. New educational philosophies that support this fundamental societal change can be expected. As a result, business has begun to view education as a new growth industry. Predicting profits from privatizing the management of our public schools, businesses are not likely to quickly abandon the idea.

Privatization is in no way inevitable nor is it appropriate for every school. It is, however, something your board may wish to consider if the circumstances in your district demand a departure from the traditional way of doing business. Become familiar with private investment in education and keep abreast of developments in districts working with private contractors. Make a point of getting to know the key players in privatization and keep your constituencies educated and informed. Do the research necessary to determine what about privately contracted services that might or might not work in your school system.

Critical Considerations

Perceptions

A large part of privatization's appeal is that the school districts see the promised funding from the beginning of contract terms. Privatization has occurred in districts that generally do not have the resources necessary to quickly improve their schools. It is no surprise then, that school officials and parents alike are pleased when, within months of signing the contract, new

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computers are installed in classrooms, new supplies are purchased, and buildings are cleaned up after years of neglect and decay.

Critics of privatization, however, look at test scores and state no proof exists to support claims of improved achievement. This, they contend, is the real test of achievement, not the outward signs of computers and clean buildings. Some citizens' groups have expressed a lack of trust in having corporate "outsiders", perhaps only interested in making a profit, come into their communities and take over their schools without any understanding of the community's values, history, politics, or problems.

Efficiency and Accountability

Efficiency needs to be defined in the context of privatization. Can, or should, it be linked to cost savings alone? Current short- and long-term cost-benefit analyses of school operations should also be undertaken for private management operations in schools. Conventional criteria that compares per student expenditures to standardized test scores, for instance, would benefit school boards in making determinations about the efficiency of private versus public management of the schools. And the test sites now exist. However, the quality of education is dependent on more than money spent or even test results. The foundations for efficient and accountable practice must be in place first. Quality education requires that teachers and support staff be qualified to perform their jobs in an exemplary manner. Employees hired by private contractors must also meet the professional requirements expected of public school employees. Clean hallways, modern equipment and sufficient materials assist schools in their delivery of service but successful schools also include community pride and a sense of ownership. In addition to an education that fosters a sense of commonality in the population it serves all students' rights must be considered and protected. Any review of private management proposals should include discussions based on these considerations.

Accountability in schools is imperative. Attendance statistics, test scores, and financial savings require diligent scrutiny. But the districts involved will need to go beyond the measurable and become tuned-in to things like community satisfaction, teacher relations, instruction methods, and curriculum. Although difficult, especially if traditionally public services are turned over to the private sector, the public trust must be maintained. Efficient use of resources is elemental in any successful operation and private contractors have developed proposals that reflect this. But any management proposals being considered should also contain sections that address the needs and aspirations found in the community, students, and staff they will ultimately influence.

Educating is a never-ending, ongoing process and better ways of doing it should always be sought. The question you need to ask is, by whom? We should never lose sight of the fact that public school boards are the elected representatives of their community and, as such, they have the responsibility of directing education in their district. This accountability requires that they monitor contractors and make the decision to continue or discontinue contracted services. As a result, it is incumbent upon the board to seek out and maintain the very best form of education possible for those under their direction.

Some Questions

A critical question: Are students achieving more?

Early measures of success have been unrevealing. While EAI initially published a positive student achievement report, subsequent reports were not as favorable and the company has publicly apologized for errors in their reports. In the first six months of its contract with the Minneapolis Public Schools, PSG reported that it did not achieve all of the goals established with the district.

Do these results signal that private management of public schools is not successful? It's too early to say. As more assessments are performed, an answer, or two, will undoubtedly be offered. In the interim, monitoring efforts and regular status reports should be generated. Student performance and achievement is the real test of any education enterprise. Like the solution used by the Minneapolis Public Schools, boards contracting with private companies can set some specific achievement goals and link them directly to expectations for contract fulfillment. Choosing three to five measurable goals should be enough. By doing this, the board creates an assessment tool that is simultaneously results-oriented and defensible.

What happens when profit-making and education become intertwined?

A major concern of some school boards and their communities is the company's focus on maintaining an adequate cash flow. Unlike operating in the world of business, the primary concern in education can not and should not be exclusively tied to profits. Cost considerations are important but they can never be placed above the success of our children. EAI, in an attempt to reduce costs, has run into legal trouble resulting in lawsuits over special education protocol and per pupil expenditure issues. To be fair, EAI's decision to "mainstream" students with special education needs may have been improperly handled, but it did essentially comply with procedures prescribed by the federal government. Of course, this can't relieve EAI of all responsibility, but it should

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alert school boards and their members, as those having ultimate responsibility, to the potential battles they may be required to fight in any kind of cost-reduction activity.

What happens to the schools if companies fail?

If we speculate that at some point the companies will stop making a profit, the future of the privately managed schools becomes very unsure. For instance, school districts in Charleston County, South Carolina and Weld County, Colorado have canceled contracts with the Edison Project because of the company's financial difficulties. Indeed, those districts which finally signed with Edison required substantial financial guarantees before doing so. Business ventures can be unpredictable and they sometimes fail. If the business venture involves running a school, or school district, who will maintain ownership of the materials and equipment, the company's creditors or the school district? What adjustments by students and teachers will be necessary, and what impact will these adjustments have on learning and achievement in the schools?

. . . . .

If your school district, after considering the pros and cons associated with privatization, wishes to take a further look toward privatization, you should consider some advice suggested by Robert J. Clark in a recent American School Board Journal article.

Cost

In most of the current privatization contracts, the companies are given the same amount of money per pupil as other district schools. Shouldn't this figure be less if the company is saving taxpayers money? For many contracted services, school districts rely on competitive bidding to get the best prices. It seems reasonable that a similar approach be used in contracting the management of public schools. A request for Proposal (RFP) should be issued to attract multiple potential service providers much like processes used to contract custodial, food or transportation services.

A financial analysis that looks to ways to do the job better and cheaper within the current organization should be done by the district.

Boards must be cautious in writing contracts with private companies. Many times, the company will offer equipment and building upgrades as part of the service contract. Boards should insist that contracts clearly specify who will own the equipment after the contract runs out. If the agreement makes it clear the district will assume ownership, boards will be protected against creditors if the company were to go bankrupt.

Control

Has the board made certain that its oversight functions have not been lessened as a result of privatizing? In current contracts the company runs one or more of a district's schools, but control remains in the hands of the school board and superintendent -- as it should. There must be no question about whom the employees work for. No matter how carefully the contract is crafted, however, adding another layer of bureaucracy to the existing system may blur the lines of authority and communication. This increases the chance for conflict, which can spill-over into the courtroom, especially if issues of liability and negligence emerge. If the boards and companies become entangled in the litigation process, then the actual educating of students may be compromised.

Reducing bureaucracy has been a major part of many school reform efforts. Boards considering privatization should make certain that the contracts they develop do not simply generate more red tape.

Accountability

It may be premature to evaluate the success of private companies' management of the schools but school boards should include achievement goals in contracts with private organizations. Attendance improvement, decreased drop-out rates, and higher standardized test scores are examples of goals that might be specified. Add incentives such as renewal of contract or a bonus structure to motivate the contractor to achieve or exceed the stated goals. While it is essential that all schools in a district are held accountable for students improvement , the added attention placed on the school district as a result of privatization may increase the need for success in the area of accountability

Most current privatization programs have taken place in poorly-performing schools. When evaluating the performance of the company, boards must not lose sight of the circumstances of operations. They should examine company records carefully for figures that highlight activities for all levels of schools. Are private teachers properly certified? Does privatized instruction reach out to all students? Private companies must be held to the same standards of accountability as other school district employees, enjoying the rewards of success and the consequences of failure on an equal basis. If waivers on certain state or local regulations are granted to the private companies in the name of efficiency, similar waivers might be beneficial to other schools, as well.. And, if privatization offers solutions to some regulatory problems, how can these changes benefit everyone?

Privatization is still so new that no one really knows exactly how to contract-out the management of a public school or district. And, because privatization is such a complex issue, it is essential that school boards look, with focused energy, at what about it is good and useful and what about it isn't . Privatization, like many other prescriptions, may have some answers to the questions we all seek in education reform but it is not a panacea. The role of the school board is to determine what answers work best to protect it's constituency, especially the children, and to act accordingly. ■